

DEPARTMENT OF FOOD AND AGRICULTURE

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**MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 21**

EXTRAORDINARY PLANT LOSSES

Losses of bulk milk, cream, or skim that occur during the receiving, processing and delivery operations at a processing plant are accounted for as plant loss and prorated to all classes of usage within the plant. At times, handlers are able to identify the cause and measure the amount of a loss. However, an identified loss would remain in the handler's plant loss unless the loss is due to unusual circumstances such as:

- A. An accident which results in insurance recovery for the value of the lost product, or
- B. A unique occurrence that is not normal to a handler's processing operations.

In the event of an identified loss due to one of the above situations, a lower classification may be appropriate, however, handlers must contact an Audit Manager at the Milk Pooling Branch no later than one business day after the loss occurs. The Audit Manager will review the circumstances of the loss and determine the appropriate classification and method for reporting the loss. Complete documentation must be prepared and retained by handlers which will provide the following information:

1. An explanation as to what the loss is and what caused it.
2. Date and time of loss.
3. Volume (conservative estimate if actual is unknown).
4. Pertinent laboratory tests.
5. Location (vat no., tanker no., etc.).
6. Amounts recovered from insurance and other sources.
7. Signature of responsible manager.
8. Date and time of phone call to Milk Pooling and the name of the Audit Manager who approved the reporting of the extraordinary loss.

A verification of the amounts and circumstances will be made at the time of the next Milk Pooling audit. Included in the review will be a determination of any monies recovered from insurance and other sources. In no case will Milk Pooling allow extraordinary losses to be assigned to a classification that results in a lower value than the amount or recoveries.

The above guidelines do not apply to losses of finished product. Section 61932(a) of the Food and Agricultural Code defines Class 1 as "Any market milk, market skim milk, half-and-half, or concentrated milk that is supplied to consumers...". Therefore, when a handler incurs a loss of Class 1 packaged product, the loss should be excluded from Class 1 usage since the product wasn't disposed of as Class 1 sales. The milk, cream or skim used in making the lost product should be included in plant loss.

Food and Agricultural Code Sections 61933 (Class 2 products), 61934 (Class 3 products), 61935(a) and (b) (Class 4a and 4b products), in defining Class 2 through Class 4b products uses the phrase "market milk, market skim milk, cream or skim used in the manufacture of Class 2, 3, 4a or 4b products is classified at the time of manufacture, and therefore is not reclassified if a loss occurs during or after processing of the product.

Claire Berryhill
Director

By: Glenn Gleason

Dated: April 7, 1987